

Message Text

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ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

66011

DRAFTED BY:EA/ROC:WALUNDY

APPROVED BY:EA/ROC:HJFELDMAN

S/S-O:DSUMMERS

-----116527 241754Z /43

R 240242Z JAN 78

FM SECSTATE WASHDC

INFO AMEMBASSY TAIPEI 0161

S E C R E T STATE 018371

EXDIS

FOLLOWING REPEAT STATE 309910 SENT ACTION TAIPEI INFO CINCPAC
DEC 30.

QUOTE S E C R E T STATE 309910

EXDIS - MILITARY ADDEES HANDLE AS SPECAT EXCLUSIVE

E.O. 11652:GDS

TA TRD, BEXP, MNUC, MILI, TW

SUBJECT:EA/ROC WEEKLY STATUS REPORT

1. ROC BUYING MISSION (LIMITED OFFICIAL USE)

AMBASSADOR UNGER HAS EXPRESSED OUR CONCERN THAT THE GROC
BUYING MISSION, SCHEDULED TO ARRIVE IN SAN FRANCISCO ON
JANUARY 10, MAY NOT HAVE SIGNIFICANT IMPACT ON REDUCING
TAIWAN'S LARGE TRADE SURPLUS WITH THE U.S. MINISTER OF
ECONOMIC AFFAIRS SUN REPLIED THAT THE BUYING MISSION PLANS
TO SIGN OR NEGOTIATE CONTRACTS FOR GOODS WORTH 200-300
MILLION DOLLARS. HOWEVER, THE MAJOR PORTION OF THE AN-

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NOUNCED PURCHASES TO BE MADE REMAINS ABOUT 150 MILLION DOL-
LARS IN AGRICULTURAL PRODUCTS (MOSTLY FOODGRAINS) WHICH THE
ROC PROBABLY WOULD HAVE IMPORTED IN THE ABSENCE OF QUOTE
BUY AMERICA UNQUOTE POLICY. THE EMBASSY REPORTS PLANS FOR
SPECIFIC PURCHASES TOTALLING ONLY ABOUT 42 MILLION DOLLARS
OF NON-AGRICULTURAL PRODUCTS. OF THIS AMOUNT, ABOUT 6.7
MILLION DOLLARS SEEMS LIKELY TO BE GOODS WHICH WOULD HAVE

BEEN IMPORTED FROM JAPAN AND 2.4 MILLION DOLLARS FROM OTHER SOURCES. THERE IS ONE ENCOURAGING NOTE IN THAT REPRESENTATIVES OF NINE PUBLIC SECTOR CORPORATIONS, RATHER THAN ONLY THE THREE REPORTED EARLIER, ARE TO BE INCLUDED AMONG THE MISSION MEMBERS.

WE AWAIT ADDITIONAL EMBASSY COMMENTS ON THE MISSION AND THE OVERALL ROC QUOTE BUY AMERICA UNQUOTE POLICY. IN THE MEANTIME, COMMERCE IS LOOKING AT WAYS TO PROVIDE ASSISTANCE TO THE MISSION IN SETTING UP AN ITINERARY FOR THE FEBRUARY 15-22 PERIOD, AFTER VISITS TO 12 STATE CAPITALS, NEW YORK CITY, AND WASHINGTON, D.C., HAVE BEEN COMPLETED. WE HOPE THE GROUP'S FINAL WEEK IN THIS COUNTRY WILL BE USED FOR GENUINE BUYING ACTIVITIES AND THAT MEANINGFUL CONTACTS WILL BE MADE WITH U.S. SUPPLIERS AND SUBSTANTIAL ADDITIONAL PURCHASES NEGOTIATED.

2. THE TAIWAN RESEARCH REACTOR (SECRET/EXDIS)

ON THE BASIS OF INSTRUCTIONS WHICH WE CLEARED OUT JUST BEFORE CHRISTMAS, EMBASSY TAIPEI INFORMED THE ROC THIS WEEK OF THE USG'S RESPONSE TO THEIR LONGSTANDING REQUEST TO RESUME OPERATION OF THE TAIWAN RESEARCH REACTOR. IN ESSENCE, WE TOLD THE ROC THAT THE REACTOR COULD RESUME OPERATION ON ITS EXISTING NATURAL URANIUM FUEL CYCLE PROVIDED WE BOTH AGREED ON CERTAIN TECHNICAL ARRANGEMENTS RE-
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LATING TO SAFEGUARDS, SPENT FUEL DISPOSITION AND RESEARCH PROJECTS AND PROVIDED THE ROC AGREED TO CONVERT THE REACTOR WITHIN TWO YEARS TO A LOW ENRICHED URANIUM FUEL CYCLE (PRODUCING LESS PLUTONIUM), IF RESEARCH PROVED THAT SUCH CONVERSION WAS REASONABLY PRACTICAL.

THE FOREIGN MINISTRY'S INITIAL REACTION WAS FAVORABLE. HOWEVER, ROC RESEARCH SCIENTISTS WILL HAVE TO WEIGH THEIR PLEASURE AT BEING ABLE TO RESUME OPERATION AGAINST THEIR ASSUMED DISTASTE FOR CONVERTING THE REACTOR. IT WILL PROBABLY BE A FEW WEEKS BEFORE WE RECEIVE FORMAL, FAVORABLE RESPONSE FROM THE ROC.

3. PASSEX EXERCISE PROPOSED FOR FEBRUARY 1978 (CONFIDENTIAL)

THE TAIWAN DEFENSE COMMAND (TDC) HAS ASKED EMBASSY TAIPEI TO APPROVE A NAVAL PASSEX TO BE HELD NEXT FEBRUARY SSE OF TAIWAN. U.S. PARTICIPANTS WOULD INCLUDE AN AIRCRAFT CARRIER, FOUR AIRCRAFT (A-6'S AND F-4'S) AND THREE OR FOUR DESTROYERS OR FRIGATES. ROC PARTICIPANTS WOULD CONSIST OF TWO OR THREE DESTROYERS.

DESPITE THE EMBASSY'S FAVORABLE RECOMMENDATION, WE DO NOT CONCUR IN THIS EXERCISE. WE ARE CONCERNED AT TDC'S CONTINUED INTEREST IN SCHEDULING NEW TYPES OF JOINT MILITARY EXERCISES WITH THE ROC. WE ALSO NOTE THAT, IN CONTRAST TO A PASSEX PROPOSED BUT EVENTUALLY CANCELLED LAST SEPTEMBER, THE EXERCISE PROPOSED FOR FEBRUARY ADDS A SMALL

NUMBER OF U.S. AIRCRAFT TO THE PREVIOUS PROPOSAL WHICH INVOLVED ONLY SHIPS.

WE HAVE INSTRUCTED THE EMBASSY TO INFORM TDC THAT STATE DOES NOT CONCUR IN THE PROPOSED PASSEX AND THAT THE PROPOSAL SHOULD NOT BE DISCUSSED WITH THE GROC. CHRISTOPHER
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UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS
Control Number: n/a
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Draft Date: 24 jan 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE018371
Document Source: CORE
Document Unique ID: 00
Drafter: EA/ROC:WALUNDY
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780035-0864
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
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Legacy Key: link1978/newtext/t19780128/aaaaaxsc.tel
Line Count: 137
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Litigation History:
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Message ID: 5de1a1e0-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3722593
Secure: OPEN
Status: NATIVE
Subject: EA/ROC WEEKLY STATUS REPORT
TAGS: ETRD, BEXP, MNUC, MILI, TW
To: TAIPEI
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5de1a1e0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014